

The American Observer

A free, virtuous, and enlightened people must know well the great principles and causes on which their happiness depends.—James Monroe

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Canada Is Busy and Prosperous

Northern Neighbor Stands High Among the Industrial and Commercial Nations

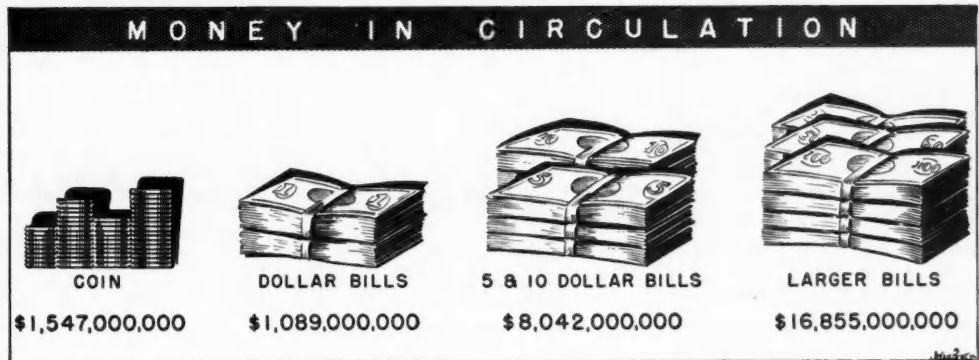
WHAT first comes to your mind when you think of Canada? Is it the vast northern forests and the majestic peaks of the Canadian Rockies? Is it the lonely Indian trapper, or the Eskimo family moving from place to place in search of fish and game? Is it the quaint French villages of Quebec?

You are not entirely mistaken if Canada reminds you of these, for she has all of them—today as in the past. But you are not entirely correct either, for the Canada of 1951 is also distinguished by some sharply contrasting features. She has become a great industrial nation, a great trading nation.

In population, Canada ranks far down the list among the countries of the world. Her vast area, larger than our 48 states and Alaska combined, contains only about 14 million people. From an economic standpoint, though, she is powerful.

From their factories, mines, forests, and farms, Canadians are now producing 80 per cent more goods than they were turning out in 1939. The average Canadian is receiving and using $1\frac{1}{2}$ times as much, in goods and services, as he was able to get just before World War II. Canada's living standard, though it has not surpassed that of the United States, has been rising rapidly during the last 10 years.

Canada ranks high among the manufacturing countries of the world. (Concluded on page 6)



MONEY, MONEY, MONEY. The amount in circulation in this country now totals more than 27 billion dollars.

Where Do We Get the Money?

Banks and the Federal Government Work Together to Expand or Contract the Supply of Funds in Circulation to Meet Current Business Requirements

AS the production of tanks, planes, and ships speeds up in coming weeks, thousands of new defense jobs are expected to be created. Many women will probably join the labor force as they did during World War II. Some elderly people now in retirement are likely to return to their machines or desks. As for the present labor force, there is the prospect of longer hours of work.

All this extra employment is going to bring plenty of business for another group—the nation's banking people. They are not—to be sure—going to be making guns, tanks, or planes, but they are going to be supplying something without which our factories could not operate. That "something" is cash.

During a period of defense preparation there is always an enormous demand for coins and paper money. Factories need cash to pay the addi-

tional workers they employ. At such a time people are spending more money for food, shelter, clothing, and so on.

Thus, banks play a tremendously important role in a defense program by supplying the money which makes the wheels of production turn. Yet there is probably no business of comparable size so much taken for granted—and so little understood—as banking. Most people seldom give thought to the part that banks play in the nation's economy. If they do think about it, they are likely to regard the workings of banks as something mysterious—wholly beyond their power of understanding.

Actually there is nothing mysterious about banks. Banking is a business. It is carried on for profit just like chicken farming or lumbering. But instead of dealing in chickens or lumber, a bank deals in money.

Banking is more closely controlled by the government than most businesses. This is largely because it is the job of the government to issue money—the "product" with which banks deal. Coins are made at various government mints throughout the country, and paper money is printed at the Bureau of Engraving and Printing in Washington, D. C. Money now in circulation totals about 27½ billion dollars. About 26 billions are in bills; the remainder is in coin.

If the money now in circulation were divided equally among the people of the country, it would mean about \$180 for each person. That compares to \$53 per person just prior to World War II.

As these figures indicate, the amount of money in supply varies from time to time. How can this be? Who decides how much money there shall be in circulation at a given time? What part do banks play in determining the money supply?

The supply of gold held by the government has something to do with the amount of money in circulation. It is true that gold is not used for money—that is, there are no gold coins in circulation. Nonetheless, our money system is still closely tied to gold. We use gold to measure the value of the dollar. Today the dollar is worth 13.7 grains of pure gold.

Why is gold used as the basis of our monetary system? For one thing, because the value of this metal does not change a great deal. The output of gold, year in and year out, has been fairly consistent. It is plain that a country's monetary system must be based on something that is stable—otherwise money would shoot up and down in value and cause great confusion. In modern times gold has been used throughout the world more than anything else as a basis for money systems.

In our own country gold is tied to money in this way: the government stores all the precious metal it can

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A Time for Great Debate

By Walter E. Myer



Walter E. Myer

ON numerous occasions in American history great debates have occurred on the critical issues of the time. The habit of discussing important issues began before the Declaration of Independence was signed. The people argued the vital question of whether the colonies should unite as one nation or remain under the British flag.

In order that the colonists might understand the issues, and the arguments in favor of independence, public leaders formed committees of correspondence and these committees sent facts and arguments for use in the town meetings.

Great debates preceded the breaking out of the Civil War, and they followed the First World War. After the latter conflict, the question of whether the United States should enter the League

of Nations was argued in Congress, in the press, and among the citizens of the nation. These are but a few of the occasions when American citizens have decided, after long discussion, what course they should take.

Towering questions of foreign policy again rise before us—questions as gravely important as any our country has ever faced. And as we find ourselves in the midst of these issues, people throughout the nation are engaging in controversy and discussion.

Should the United States withdraw from Korea without further delay? Shall we send armies to Europe? Shall we undertake to protect western Europe if it is attacked? What should be our policy with respect to Communist aggression in Asia?

Such questions as these will be discussed in Congress and by editors, columnists and broadcasters. Debate might cease or lessen if we should actually become embroiled in a war with

Russia, but otherwise it will be bitter and prolonged.

This is in accordance with American tradition. Americans are free to express their ideas. Their freedom is sometimes limited but that is an exception. If Americans, and this includes students in the schools, do not express their ideas, the reason is likely to be that they are not alert and energetic enough to help solve their country's problems.

It is important that every intelligent, wide-awake citizen should find a way to help solve our problems wisely. The nation needs all the help it can get. The American people seem confused and uncertain. They seem not to have made up their minds about foreign issues.

If students will study the issues which have arisen and which are likely to arise, they will have sounder ideas as to what should be done in a time of crisis such as the present. They will help the nation to make up its mind wisely, fairly, and in the light of evidence.



OSCAR REIDENBERG

THE FEDERAL RESERVE SYSTEM, with headquarters in this building in the nation's capital, has a great deal of control over the thousands of banks in this country

Money Supply

(Concluded from page 1)

get and then issues coins or paper money backed up by the gold. The law requires that at least \$25 in gold be held in reserve for every \$100 of paper money in circulation (except for a comparatively small amount of paper money backed by silver). Stated the other way round, the amount of money in circulation cannot exceed four times the value of gold in reserve.

At present, the government holds gold reserves totaling about 23 billion dollars, most of which are stored at Fort Knox, Kentucky. Thus, the Treasury could print four times that amount in paper bills—92 billion dollars' worth—and still stay within the law.

But it is not doing that. The total supply of coins and bills together remains about 27½ billion dollars. Why, you may ask, is the supply of money limited to this amount? We must seek our answer in a study of the way the banking system works.

For banking purposes the United States is divided into 12 regions. In each region is a big bank known as the Federal Reserve Bank. It is owned by the local banks of the various cities and towns of the region. The setup is known as the Federal Reserve System.

All national banks must be members of the system, and state banks may be. Of more than 14,000 banks in the country, close to 6,800—including most large state banks—belong. Each of the member banks has an account in the Federal Reserve System, keeps money in it, and borrows money from it.

The 12 banks are controlled by a Federal Reserve Board, the members of which are appointed by the President. Indirectly, then, the U. S. government has much to say about Federal Reserve Bank policies. The government influence is all the greater because the Reserve Bank and the U. S. Treasury work closely together on many activities.

Let's see how the banking system works in helping fix the amount of money in circulation. In the imaginary town of Centerville is a manufacturer whom we'll call Paul Baker. Mr. Baker has a small factory which makes various kinds of steel products.

From the Jones Gun Company, which has a government defense contract for machine guns, comes an order for \$40,000 worth of machine-gun sights. The Jones Gun Company gives Baker a note (or promise to pay) due in 90 days. Baker is willing to take the note, for he knows the Jones Gun Company is a sound organization.

Though Baker is glad to take the note, he needs cash to pay his workers and to get raw materials. He takes the note of the Jones Company to the First National Bank in Centerville.

"Here is a note of the Jones Gun Company," says Baker. "It is good all right but it is not due for 90 days and I need money now. Will you take the note off my hands, or 'discount' it? Will you pay me \$40,000 minus interest, for, of course, I shall expect to pay you interest for the 90 days that elapse before you can collect the money from the Jones Gun Company."

The First National Bank will probably discount Baker's note, but perhaps it has had many similar requests and doesn't have much cash on hand. It has plenty of notes (promises to pay backed up by property) so it is in a safe condition, but it has not on hand enough actual money to meet the needs of the community.

To the Big Bank

The First National Bank, then, goes to the big bank with which it has an account, the Federal Reserve Bank of the region, and asks to borrow money. It takes the note of the Jones Gun Company which it bought from Baker, as well as other similar notes, and says to the Federal Reserve Bank: "Will you give us cash for these notes? You can get your money in 90 days. Meanwhile, we shall pay you interest."

So the First National Bank borrows from the Federal Reserve Bank in order that it may lend to Baker and other customers. It borrows the money at a certain rate of interest, and lends it to Baker and others at a higher rate of interest, thus making a profit on the transaction.

But suppose the Federal Reserve Bank hasn't enough money to make the loan to the First National Bank. Perhaps dozens of banks are needing cash and are trying to get loans from the Federal Reserve. What is the Federal Reserve Bank to do?

It goes for help to the Federal Reserve Board and says: "Many of the banks in our region need money. They

are in good condition. They have notes coming due soon, but they need cash. We would gladly lend it to them, but we don't have enough on hand. Our region really needs more money in order to carry on its business. Will you have some paper money printed and delivered to us?"

The Federal Reserve Board considers the request. If it thinks there is really need for more money, it asks the U. S. Treasury to print paper bills and lend them to the Federal Reserve Bank. The Federal Reserve Bank lends some of this cash to the First National Bank and other banks. The First National Bank then lends cash to Mr. Baker—that is, it takes the note of the Jones Gun Company off his hands, charging him interest for it. Baker gets the money, buys raw materials, and pays his employees. Many purchases are made and business is stimulated.

Does this new money which has been put in circulation stay there? Does it add permanently to the country's supply of money?

Not necessarily. It may soon be taken out again. After 90 days the Jones Gun Company's note is due. The company pays the money to the First National Bank. The First National then pays its debt to the Federal Reserve Bank.

Other bankers are doing the same thing. A great deal of cash is turned over to the Federal Reserve Bank. It now has more money on hand than it needs, so it turns back to the Treasury the money which was printed a few months earlier, and the money is taken out of circulation.

Thus, we have what is called an "elastic" or "flexible" currency. The amount of money in circulation increases when business is active and it is needed. It decreases when business is inactive, when few people are borrowing and lending, and when it is not required. The country's volume of bank deposits, like that of coins and bills, rises and falls in accordance with national needs.

Of course, the process is not really as simple as our brief description would indicate. The increase or decrease in currency is not wholly automatic. The Federal Reserve Board has a great deal to say about it.

For example, at a time when business is dull and businessmen are holding back on starting new ventures, the Federal Reserve Board may take

action that will result in getting more money into circulation.

At such a time it may order the Federal Reserve Banks to lend money at a lower rate of interest than previously. Those who wish to borrow will be able to get money for less interest. Ordinarily this tends to start business moving.

On the other hand, the Federal Reserve Board may think that too much borrowing is going on. It may feel that too many companies are engaging in ventures that may not turn out well. It may decide to clamp on the brakes in order to avoid trouble later.

Time to Contract

As a matter of fact, that is exactly what the Board is doing at the present time. Board members feel there has been an unusual amount of lending in the past six months, and they are asking banks to cut down on lending.

The Board's reasoning is this: "There is already a good deal of competition today in buying scarce articles. If people can borrow money easily, there will be more competition for these scarce items, and prices will be pushed steadily upward. If that happens, the dollar will have less and less purchasing power and inflation will become even more serious than it is now. Therefore, we must not encourage borrowing at this time."

As one step to cut down borrowing, the Federal Reserve Board has ordered banks under its control to keep more money in their reserves. If the banks are forced to hang onto the money, then it will not be available for lending. Another step which could be taken if lending continues at a dangerous pace would be for the Federal Reserve Board to order the banks to charge higher interest rates. This, too, would discourage borrowing.

The operations that we have described are not the only ones that banks carry on but they are among the most important. They plainly show how important a part the banking system plays in our economic life.

Next time you are in a bank, reflect on what you see there. The business being conducted is not a mysterious operation, wholly remote from your own life. What you will see is a tiny part of the workings of an intricate, highly organized system through which the economy of the nation may be kept on an even keel.

18-Year-Old Draft

Prominent Prep School Administrator Presents His Views for Dealing with This Very Difficult Issue

At what age should young men be drafted into the armed services? How long should the education of students who would normally go to college be interrupted in order to permit them to receive military training?

These and other related questions are being debated in the halls of Congress and throughout the nation. THE AMERICAN OBSERVER has already presented a number of conflicting opinions on this great issue, and it will continue to do so until final decisions have been reached by the national legislature.

This week we have asked Paul L. Banfield, Headmaster of Landon School for Boys in the nation's capital, to give us his views on the subject. Mr. Banfield has had long experience as an educator, and possesses a wealth of background in dealing with the development of young men. His school has a high scholastic standing among the country's prep schools. In addition, Mr. Banfield served as Personnel Consultant to the Commanding Generals of the Second and Third Air Forces in World War II, so he has a firsthand knowledge of military manpower needs and problems. Here is what he has to say about military training for youth.

A STRONG and well-trained military force is urgently required for the preservation of this nation's independence and its democratic heritage. There is no argument about this among loyal and patriotic Americans. The menacing hand of Communist Russia in Asia and Europe has clearly revealed the dangers we face and the need for greatly increased military preparation to insure our national survival.

Armed power alone, however, is not enough to guarantee the future security of the United States. As we arm rapidly, we must also plan wisely to provide the leaders of tomorrow in education, industry, medicine, science, engineering, and other vital fields of endeavor.

Any other course can lead to disaster. If we denude the schools of trained educators and of capable students by the draft, as some propose, we shall one day face a serious crisis in our national life. We may well find that we have built the armed force to defend ourselves and yet have failed to preserve our way of life because we neglected to build a backlog of leaders to deal with the basic needs and problems of the nation.

It is my firm conviction that we must find a plan that can supply both the fighting men we require now and, at the same time, provide for the advanced education of students who are potential leaders of the future.

A workable plan, it seems to me, would be to start off by drafting all 18-year-old boys who are out of high school next June. These young men could be given one year of military training, or possibly 14 months by using a summer between school terms.

At the end of the training period, youths who normally would go to college would be permitted to do so without further interruption. Moreover, young men who demonstrate unusual personal and other natural qualities of leadership during their military

service would also be sent to college—at government expense, if necessary. Every student would be required to take ROTC courses during the college year, and to spend summer vacations in training camps.

After the conclusion of one year of college, students with low scholastic standings would be returned to military service for another 12-month period, or for as long as current draft regulations might require. The remaining students, those in good scholastic standing, would be permitted to complete their college courses if they continued to make good grades.

Upon graduation, students who were preparing to enter medical, engineering, teaching, scientific, administrative, or other technical fields, and who showed ability along these lines, could go on to graduate study or to work in their respective fields. Other graduates, having had four years in ROTC, would be subject to serve as officers if called upon, or required to do ordinary military duty for an additional period, depending upon the needs of the armed forces at the time.

A plan such as this would interrupt the education of qualified college students for only one year. To take competent collegiate youth into the armed forces for two, three, or more years would bring us face to face with drastic shortages of trained manpower in many fields.

Even today, two of the nation's biggest corporations say that they are



PAUL L. BANFIELD, Headmaster of Landon School for Boys in the nation's capital

able to get only one third of the various types of engineers they need. There are barely enough doctors for the country now; serious shortages will develop in numerous areas as the armed forces require more and more physicians, dentists, and other medical people. If we fail to keep training doctors, we can be certain that the country's health problems will become acute.

Ever since World War II, we have been making a supreme effort to raise our teaching standards at Landon to the levels which prevailed before the outbreak of the conflict. This year, for the first time since the early 1940's, our teaching staff as a whole meets these high standards. Now, be-

cause of the draft and reserve, we are threatened with the loss of over half of our faculty in the next six months.

The same thing is true with schools all over the nation. There has been an acute teaching shortage during most of this decade, and the situation will become definitely intensified if thought and wisdom are not applied to the problem.

To my mind, it is quite as important to keep teachers at their jobs as it is to keep qualified students in college. Teachers are needed right along with jet planes to strengthen and protect democracy.

I believe that no teacher should be drafted or even permitted to volunteer for military service. A worker in an armament plant during wartime would not be allowed to enlist, because his job in making shells or guns is just as essential to the country as that of the fighting man. The same is true of teachers. The importance of their work in training competent citizens and leaders is second to none.

It is up to the United States, I am convinced, to see that its obviously necessary drafting program does not take away the skills and knowledge that we urgently must have now and in the future. To tear down our higher educational system while building military power would be sheer folly.

It must be kept in mind that our population is continuing to expand, and that we need more and more skilled people to provide the day-by-day services and products required by our civilian population. It must also be kept in mind that the present crisis may continue for 10 to 20 years, or longer. During this emergency period, the nation's military, as well as its economic, strength will depend on the number of people who are trained and skilled along industrial, professional, and scientific lines.

Admittedly, there would be complications and difficulties involved in putting a plan such as the one I have suggested into operation. The same thing would be true of any military service proposal, however, except a sweeping one which would call for all 18-year-olds to be drafted without any deferments whatever.

Surely, we in this nation have the wisdom and ingenuity to devise a program for meeting the manpower needs of the armed forces without seriously crippling our educational system, and without depriving the American people of vital health and industrial services they need both in war and in peace.

Science in the News

The problem of how to make lighter airplanes now faces aircraft manufacturers. The extra equipment which a pilot must carry at the present time—radar, survival gear, weapons, and the like—is making today's planes too heavy, in spite of the large amount of aluminum used in their construction.

Designers are busy trying to find light materials which can take the place of the steel now going into planes. They are experimenting with titanium, plastics, and paper. If a

cheaper way of refining titanium can be found, this metal may be used instead of steel for propellers, engine parts, and landing gear. Paper, sandwiched between two thin sheets of metal may be used to build doors, baggage racks, tables and partitions. Lightweight plastics may be used for enclosing electrical equipment, defrosting systems, and the like.

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Cobalt, along with aluminum, copper, and other metals, is going to war. There will be less cobalt available for civilian industries in the future. Cobalt is the material which makes enamel stick to a refrigerator, or electric stove, and it is used in every radio and television set.

But there are important military uses for cobalt right now. It is necessary in making heat-resistant steel—essential for jet engines. It is also required in the manufacture of the radar equipment being produced for our armed forces.

Most of our supplies of cobalt comes from the Belgian Congo and Canada. A newly discovered mine in Idaho is expected to get into production this year, and some cobalt is mined in Pennsylvania.

★ ★ ★

A new pain-killing drug called methadone is now being made synthetically from common, inexpensive chemicals. Medical scientists say that it is as effective as morphine, and that supplies of the new drug are unlimited.—By HAZEL L. ELDRIDGE.



UP AND AWAY! A Fairchild C-119 Packet, aided by jet power, heads for the sky at a sharp angle in a trial run over the Hagerstown, Maryland, airport. Jet assistance made a take-off possible after a run of only 460 feet. Being able to do this in wartime can make the cargo plane of much greater value in supplying troops in cramped battle areas.

The Story of the Week

Trouble in Russia?

What is really happening in Russia? Millions of Americans, and citizens of other free countries, are asking themselves this question. Because of strict censorship, it is impossible to know the answer with certainty.

Recently, however, a former agent of the Office of Strategic Services and of the State Department, who is an expert on Russia, published some interesting conclusions about Soviet civilian morale in the *New York Times Magazine*. The article carries hope for countries which oppose communism. Its writer, Harry Schwartz, now a Syracuse University professor, believes that the Soviet people are so "disillusioned," many of them would desert the Communist cause in a general war.

Schwartz cites a number of economic reasons why the Russians are disillusioned with their government. He says the standard of living in Russia has improved in recent years, but not enough to satisfy the people. For example, meat, butter, and eggs still are "rare luxuries," he writes, and clothing and other consumer goods are very expensive.

Soviet workers are "weary," says the professor. Stern disciplinary measures are used to control labor, and special prizes and other incentives are necessary to induce their best efforts.

Furthermore, states Schwartz, the Russian people "all fear and dread" war, remembering the suffering of the last conflict. To counter this fear, Soviet propaganda constantly insists the U.S.S.R. is the champion of peace and only the western democracies are bent on war.

If war came, some Russians would desert "at the beginning . . . and their numbers would increase as opportunities for such action multiplied," Mr. Schwartz concludes. There-

fore, our propaganda should be aimed as much as possible at exposing the Soviet government to its own people, he says.

Korean Controversy

The American people are sharply divided over this question: Should our forces have stayed in Korea this long?

Many observers are convinced that our troops should have quit that land several weeks ago. Their argument runs along these lines:

"It became obvious that we were fighting a futile war in Korea when the first big Chinese offensive took place. Our troops have been and still are hopelessly outnumbered. China, one of the most populous countries on earth, has unlimited reserves of manpower. Since our manpower is limited, China can overpower us by sheer weight of numbers.

"By staying in Korea, we are not only waging a hopeless fight, needlessly sacrificing American lives, but we are seriously hurting our chances of stopping communism elsewhere. With the bulk of our armed forces in Korea, we could not defend western Europe should it be invaded. We should get our men out of Korea quickly, before any more of our manpower and economic strength are drained away in a lost cause."

Those who take the opposite view set forth their case in this way:

"If we had quickly withdrawn all our troops from Korea after the first big Chinese offensive, leaving millions of helpless South Koreans to persecution by the Communists, we would have lost prestige all through the 'free world.' Peoples of certain other lands might have decided that they did not want to ally themselves with us. Many western Europeans, for example, might have lost faith in our steadfastness as a military partner, and this could have



CHICAGO HIGH SCHOOL STUDENTS get Red Cross first aid training now. The training is part of the regular curriculum as a civil defense measure.

been a death blow to any chance for an effective North Atlantic army.

"Moreover, there is the practical reason that by continuing to fight in Korea we have been tying up Communist troops that might otherwise have been used to invade Indo-China or other areas. By fighting on, we have kept large Communist forces occupied in Korea.

"Finally, it is reported that a great many Chinese people have become anti-Communist because this war has cost them so heavily in money and lives."

Supercarrier

The Navy plans to build a ship which will be larger than any in the nation's history. The plans call for a giant aircraft carrier, of 57,000 tons, to cost about 285 million dollars. It will be specially designed so that planes, carrying atomic bombs, can take off from it and return.

To build the "supercarrier," and for other defense construction, Congress will be asked to allot about 10 billion dollars around March 1, Chairman Carl Vinson, of the House Armed Services Committee announced recently. The Navy also plans to build 173 other new vessels, including seven of the much-discussed Snorkel submarines, which can stay under water for long periods, and of which Soviet Russia is said to have a large number.

The supercarrier is to be named after James V. Forrestal, the first Secretary of Defense, who died May 22, 1949. During Mr. Forrestal's term of office, it was planned to build a giant carrier, to be named the *U.S.S. United States*, but Mr. Louis Johnson, who succeeded him as Secretary of Defense, cancelled the project.

The largest aircraft carriers possessed by our Navy now are the sister ships, the *U.S.S. Franklin D. Roosevelt*, *U.S.S. Midway*, and *U.S.S. Coral Sea*, all displacing 45,000 tons, the Navy Department reports. That also is the tonnage of our heaviest battleships, the *U.S.S. Missouri*, *U.S.S. Iowa*, and the *U.S.S. Wisconsin*. Thus the 57,000 ton carrier would be the Navy's greatest vessel.

While Navy officers could not reveal its exact dimensions, it was thought it would be on the order of the *U.S.S. United States*, as planned. That carrier was to have been 1090 feet in length with a beam (width) of 190

feet at its widest point. The *Forrestal* will take 3½ years to build.

Mt. Etna at It Again

Mt. Etna, which is one of the best known of the active volcanoes today, has recently brought considerable destruction to the areas of eastern Sicily, the big island just off the "toe of Italy."

The citizens who live near the foot of this great volcano were forced to go away from their homes late last month as they watched farms and villages being overrun by red-hot lava. Trees and houses burst into flames as the molten rock advanced down the mountain slopes into the surrounding countryside. Then for a number of days, the volcano seemed to be quieting down, but it became more active again a short time ago.

The Sicilians have been fearfully watching the towering 10,750-foot mountain for many years, always hoping that their volcano will be peaceful. Many times, though, Mt. Etna erupted violently and caused great destruction on the island.

Ancient records of history show that the famous volcano caused terror among the people who lived in Sicily more than 2,500 years ago. Since that time, about 80 eruptions have been recorded. One of the most severe outbreaks ever listed took place in 1669, when lava and earthquakes caused the death of about 20,000 people.

In recent years, the Mediterranean island suffered two major volcanic outbursts before the latest eruptions—one in 1928, when several towns were completely destroyed, and another about four years ago, when the force of an internal explosion blasted a new crater on Mt. Etna. The most recent volcanic blasts have been called the worst in over 50 years.

Another Rickenbacker

A name that is famous in American aviation—Rickenbacker—is being carried forward in the United States Air Force. William F. Rickenbacker, 22-year-old son of "Eddie," the World War I ace, has joined the Air Force as an aviation cadet. In fact, in ceremonies at a New York City recruiting station, young Rickenbacker was actually sworn in by his father.

The father, who was a captain in



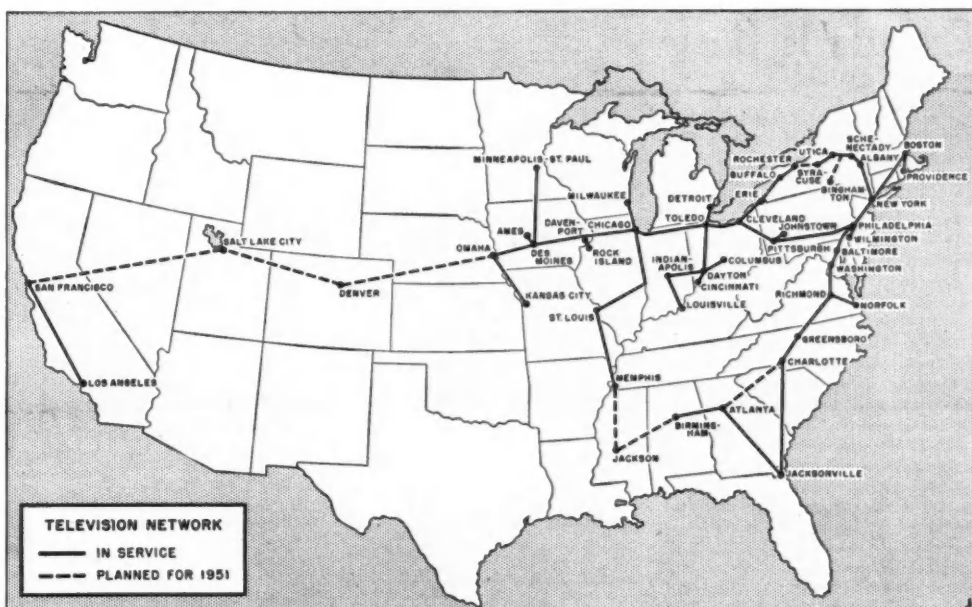
BIG GUNS GUARD NEW YORK CITY against air attack. The crew shown at loading drill is part of the U. S. 80th Anti-aircraft Battery, on duty at Fort Totten in suburban New York.

the first World War, shot down 26 enemy planes to become America's most famous aviator. He is now a colonel in the Air Force Reserve. It was because of this continuing Reserve rank that he was legally able to administer the service oath to his son.

Aviation Cadet Rickenbacker is a 1949 graduate of Harvard University. He was working in the advertising department of Eastern Airlines, of which his father is president and board chairman, when he passed the Air Force examinations in September. He will train at an air base at San Angelo, Texas.

After swearing in his son, the elder Rickenbacker declared he was proud William was entering the same branch in which he himself had served. Then he congratulated him, and told William he was being "honored" by being accepted into the Air Force so that he could help protect his country's "freedom, liberties and opportunities."

Captain Rickenbacker, as he is known to the American public, has another son, David, 26 years old, who served in the Marine Corps in the last war.



TELEVISION IS EXPANDING. The map shows TV circuits now in operation and those planned for completion before the end of this year, if plans are not curtailed by the national emergency.

African Minerals

As they rearm, the western democracies need a great supply of minerals. To obtain those which are scarce in their countries, they have turned to other continents including Africa, and with good results. The Union of South Africa has made an agreement to sell precious uranium, which is used in making atomic bombs, to both the United States and Great Britain. Moreover, a great drive is under way to open fresh fields of minerals elsewhere in Africa.

The recent agreement of the Union of South Africa to sell uranium to this country and Britain marks the successful completion of several years of research work by all three nations. South Africa has great deposits of gold, and it has been known for some time that gold ores also contain uranium. It took several years to develop a method for recovering the A-bomb mineral from the gold. In years to come, experts say, the Union of South Africa may become one of the world's greatest producers of uranium.

American and British representatives are searching other parts of Africa for minerals, besides uranium. They are doing this by ordinary prospecting methods, and by aerial surveys, and other means. The Africa-wide hunt for minerals is already yielding important results. British officials have found large coal and iron fields in Tanganyika and Nyasaland, and they hope to set up a steel industry in the latter area.

Trust Territory Head

Former Senator Elbert Thomas of Utah is the first civilian chief of the Trust Territory of the Pacific. As such he will administer the affairs of some 96 islands and atolls which are scattered over three million square miles of the Pacific. The islands comprise the Marianas, and the Caroline and Marshall chains.

The appointment of a civilian administrator marks a change of government for the far-flung island territory.

After World War II, the United Nations named our country as trustee for the islands. U. S. naval officers have administered the territory up to now, but the Department of Interior will take over the administration from the Navy on July 1. This transfer will have the effect of releasing many military personnel for duties in other sectors.

Former Senator Thomas, defeated in the November 7 elections, was once a missionary to Japan. As a senator he was chairman of the Labor Committee.

At present the Trust Territory is administered from Pearl Harbor and it is there that Mr. Thomas is expected to set up his headquarters, at least temporarily. Later on he may govern from the island of Truk, which is now used as a field headquarters.

The new high commissioner is expected to recruit a staff of about 275 employees. Some 800 natives of the islands, who are now federal government employees, will be retained.

Ship Transfer

The people of Argentina, Brazil, and Chile are looking forward to some additions to their small but growing navies. Our government recently made plans to supply six cruisers to the three largest South American countries.

Defense officials hope that the American vessels will help these nations protect their long coastal areas from outside attacks. This effort to build up the sea power of Argentina, Brazil, and Chile is looked upon as a step toward strengthening our continental defense.

In the last war, enemy ships were a great menace to South American ports. It is hoped that any future threats from the sea can be met by increasing inter-American cooperation in defense.

The American war vessels, which are to be granted on "less-than-cost" terms, are to be equally divided among the three leading South American nations.

Looking Ahead

Unless unforeseen news developments cause a change in plans, major articles to appear in THE AMERICAN OBSERVER next week will discuss the national budget and plans for achieving world peace.

Your Vocabulary

For each sentence below, tell which answer best explains the meaning of the italicized word. Correct answers are given on page 8, column 4.

1. The organization was controlled by a *clique* (klĕk). (a) a democratic procedure (b) a small and exclusive group (c) an ex-congressman (d) a professor.

2. They *implied* (im-plid') that they would go. (a) hinted (b) knew (c) doubted (d) hoped.

3. His comment was a *banality* (bay-nal'i-ti). (a) blunder (b) brilliant remark (c) trite and commonplace remark (d) sharp and brief sentence.

4. If your conclusions about a problem are *superficial* (sū'per-fish'āl), you formed them (a) after careful study (b) after close personal observation (c) with great difficulty (d) hastily, without much study.

5. The two political groups were *fused* (fewzd). (a) united (b) confused (c) defeated (d) quarreling.

6. An act or decision is called a *precedent* (pres'e-dĕnt) if it (a) is unpopular (b) serves as an example for the future (c) results in a failure (d) is soon forgotten.

Onion. This bulb receives its name from *unio*, the same Latin word from which we get our word *union*. The relationship, it is said, comes from the fact that an onion consists of numerous *united* layers.

THE LIGHTER SIDE

A woman's car stalled in heavy 5 o'clock traffic. The man in the car behind her started blowing his horn loudly. With great poise the lady got out and walked back to the impatient man.

"I'll toot your horn," she said, "while you start my car."



"Would you mind paying the check? I'm trying to save money."

The insurance agent finally reached the big businessman at the close of a busy day.

"You should feel honored, highly honored, young man," he said. "Do you know that today I have refused to see seven insurance men?"

"I know, sir," said the agent. "I'm them."

Young Harry: "Father, what's the difference between a gun and a machine gun?"

Dad: "There's a big difference. It's just as if I spoke and then your mother spoke."

Waitresses are girls who think money grows on trays.

Living in auto-congested cities is now a case of the survival of the flittest.

Worry kills more people than does work because more people worry than work.

Canada Is Busy

(Concluded from page 1)

She is the third greatest trading nation on earth, outranked only by the United States and Great Britain. She is our country's biggest customer, and we buy more of her goods than do all other foreign nations combined.

A number of years ago, Canada was almost exclusively a producer of grain, meat, and such raw materials as timber and minerals. She is still famous for these, but at the same time she is furnishing an ever-increasing volume of manufactured goods.

Canadian industrial plants are turning out about five times as much aluminum and $2\frac{1}{2}$ times as much steel as they were producing 10 years ago. Paper mills, drawing on the resources of the nation's huge forests, have made Canada the world's number one producer of newsprint. Busy factories pour out a tremendous flood of automobiles, trucks, chemicals, machinery, roller bearings, electrical equipment, and so on.

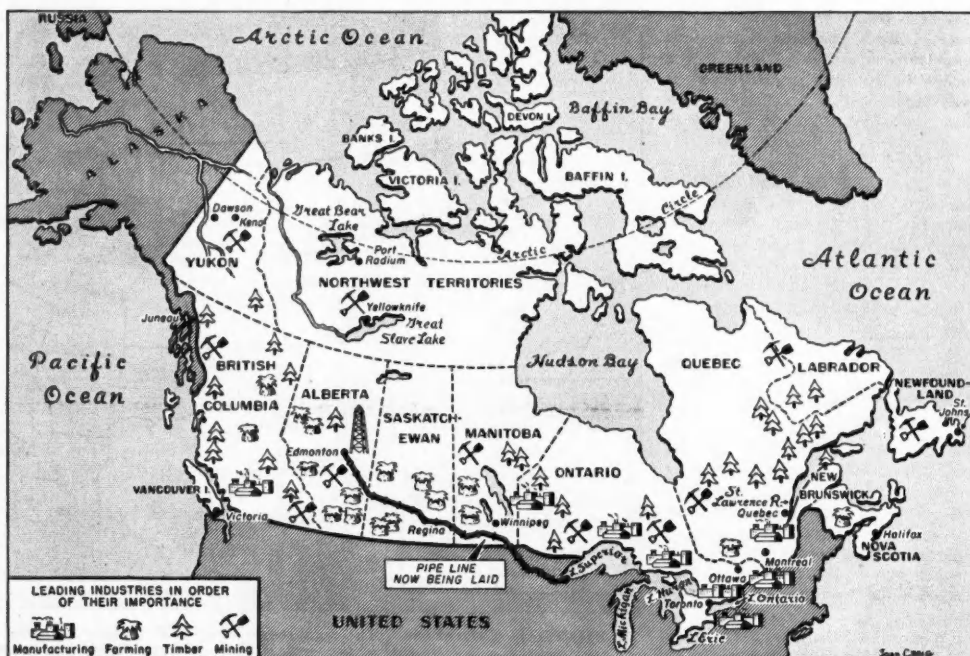
Industrial development in that country has been going on for a number of years, but it was World War II which boosted our northern neighbor into the ranks of the leading manufacturing nations. To help furnish equipment for her own fighting forces and those of her allies, she built hundreds of factories—while at the same time stepping up the output of her farms, mines, and logging camps.

Since the war, Canadian industries have continued to thrive. Investors from our country have played an important part in their growth. For a number of reasons, U. S. businessmen recognize Canada as a good place to set up factories and other enterprises. They say that the Canadian government generally follows policies which encourage the growth of businesses.

Moreover, many U. S. corporations put some of their factories in Canada in order to take full advantage of our northern neighbor's vast supplies of minerals and other raw materials. Our citizens are responsible for about three fourths of all the *foreign* investments in Canada.

Important discoveries of iron ore and petroleum have given an added shove to Canada's industrial growth. Until recently, the Canadians did not have much of an oil industry. In 1947, though, rich petroleum deposits were found in Alberta, a province which lies just north of our state of Montana. This discovery touched off a big oil boom, which still continues.

In a wild and remote northeastern region, extensive deposits of iron ore have been discovered. The principal new ore bed lies along the boundary which separates Quebec from Labra-



CANADA, our great neighbor to the north, is a friendly, worthy ally of the other free nations of the world

dor. This deposit is large enough to rival our country's famous Mesabi Range (of the Lake Superior region). Its development begins at a time when the U. S. steel industry, fearing the exhaustion of its own rich ore deposits, is eagerly looking around for new sources of iron supply.

Development of the Labrador-Quebec ore fields will be difficult, because they are far from Canada's industrial cities and from established rail lines. Nevertheless, facilities for mining the iron and carrying it away are rapidly being set up.

Much of the ore from distant northeastern Canada will be brought to U. S. iron and steel mills for processing. United States firms are playing a prominent role both in the opening of Canada's newly discovered iron deposits and in the search for oil fields on the central plains.

Although petroleum and iron are making the biggest news at present, Canada remains a heavy producer of many other valuable minerals. She turns out most of the world's nickel and asbestos, and is among the leading producers of copper, gold, silver, lead, zinc, and uranium—the atomic-energy metal.

Canada sells her minerals abroad in substantial quantities. But her largest single exports are paper, especially newsprint; and wheat, raised mainly in the prairie provinces which lie north of Montana, the Dakotas, and Minnesota.

Our northern neighbor's foreign trade picture has undergone a major change during the last few years. For a long time, she depended on a trade pattern that was known as the "Atlantic Triangle." She sold vast quantities of goods to Britain and other nations across the Atlantic, and through these sales she obtained money with which to make heavy purchases in the United States.

As a result of World War II and its aftermath, this pattern broke down. The nations overseas went through a severe shortage of U. S. dollars. It became impossible for Canada to earn a big supply of dollars by selling goods to Europe.

A few years ago, this situation

forced the Canadians to cut down sharply on their purchases of U. S. products. As a long-range solution, however, they sought to increase their U. S. dollar earnings by selling more and more goods to our country.

In 1950, 65 per cent of all Canadian exports came to the United States. Before World War II, we were taking about 37 per cent. Canadians are not thoroughly pleased with the idea of tying their economy so closely to that of the United States. They would prefer to spread their trade more evenly among a number of countries. Under current world conditions, though, they have had to adopt their present course of action.

The United States looms large among Canada's suppliers. We furnish two thirds of all the goods she purchases from outside her borders. Petroleum, machinery, and manufactured items are among her main imports. The Canadian people use even more oil and gasoline, and more of certain factory products, than their oil fields and busy industries can produce.

While Canada's economic ties with the United States seem to be growing stronger, she remains a loyal member of the Commonwealth of Nations—the group of countries banded together under the British Crown. But her membership, like that of Australia and the other Commonwealth nations, is entirely voluntary. Canada is, in other words, completely free and self-governing.

Nearly all the Canadian people live along the southern border of the country. Sixty per cent are located in cities and towns, whereas the Canada of 50 years ago was mainly a rural nation.

Like the people of our own country, Canadians are descended from a great variety of nationalities. There are two principal language groups, French and English. French-speaking Canadians, centered mainly in the big eastern province of Quebec, make up roughly a fourth of the population.

Canada's geographic regions offer great variety, just as do those of the United States. The seacoasts support large fishing industries. Manufacturing is concentrated mainly along the Great Lakes. The flat central prairies are famous for their meat and grain products, but areas of good farm land are found in many other parts of the nation.

In the western provinces and territories, the towering Canadian Rockies extend northward from our own Rocky Mountain chain. Across the northern part of Canada lies a great arctic and sub-arctic wilderness.

From a military point of view, Canada is in a strategic and dangerous location—lying across the shortest air route between the United States and Russia. If there is ever a Russo-U. S. war, she is bound to become involved. Therefore, Canada is stepping up her defense efforts, just as we are; and her military chiefs are working in close cooperation with those of the United States. She is also making joint defense plans with our nation and 10 others under the North Atlantic Treaty.

It would be practically impossible for Canada's military strength to approach that of the United States. She does not have many more people in her whole population than we had in our armed forces during the final part of World War II. Nevertheless, her farms, her oil fields, her rich mines, and her roaring factories can make an impressive contribution toward the defense of the free nations. And, if all-out war is avoided, Canada will still benefit greatly from her industrial growth.



DEPARTMENT OF RESOURCES AND DEVELOPMENT
ESKIMO children in northern Canada



NATIONAL FILM BOARD OF CANADA
MEASURING a giant Canadian spruce

Readers Say—

We are now facing a national emergency which threatens our freedom and democracy. Every man, woman, and child should put his shoulder to the wheel and offer his or her duties to help us meet the crisis. Everyone's efforts will be needed.

We in high school have our duties to perform and should do so well. I hope that the government officials will set a good example that every American can follow. If this happens and everyone does his part, our nation will be on top once again.

MICHAEL SHAPPEL,
West Lawn, Pennsylvania

★ ★ ★

I think the United States should continue sending aid to Yugoslavia in its present time of need, when she is suffering from the effects of a serious drought. Yugoslavia has refused to take orders from Russia and does not favor Russian aggression.

If we go ahead with our aid to Marshal Tito, it will create a friendly relationship between the United States and Yugoslavia, which is our purpose. If Tito shows any signs of working with the Russians again, we should discontinue the aid.

JOAN COPELAND,
Cass City, Michigan

★ ★ ★

I am convinced that Russia does not intend to sit idly by while we are busily arming to the teeth in an effort to surpass her in strength. She will try to keep us at war with China and



perhaps draw us into conflicts with other satellites. In that way she would slowly bleed us financially and militarily, decrease our manpower and resources, and leave us so weak we could not fight back. To nip this war in the bud we must take immediate steps toward all-out mobilization.

ANN BRICE,
Annapolis, Maryland

★ ★ ★

I agree with those who favor anti-Communist legislation. We must bring the Communists out in the open. The United States is trying to fight communism in foreign countries, but we have not been dealing with it in this country.

On the other hand, I agree with President Truman in regard to keeping secret information as to the location of our defense plants. As it stands, this law could be dangerous in one way and helpful in another.

ANN BULLINGTON,
Channelview, Texas



OXFORD STREET, a famous and busy London thoroughfare

Picturesque London

Great British Capital Which, with Its Suburbs, Covers Almost 700 Square Miles, Combines the Old and the New

IF, in all the world outside the United States, you had the chance to visit one city—and only one—you would do well to choose London.

In the great British capital, with a population of more than eight million, you may go back in a study of history to the time of the Roman Empire. London—it was *Londinium* then—was a Roman town for nearly 400 years, from 43 to 409 A.D.

In the British Museum, you may see dishes, goblets, lamps, and other things the Romans used in *Londinium*. You may, too, look at old maps of the city. Then, with notes from the maps as a guide, you may go for a walk and make history come alive by tracing the boundaries of the ancient town. You may see traces of old Roman fortresses close by the Thames River. You may walk over streets, now filled with modern automobile traffic, that once were Roman roads.

After the Romans came centuries of wars, rule by despotic kings, and, slowly, democracy. You may get a sense of the drama of those times by plodding through the narrow, twisting, musty streets of London. On every side, you may find old buildings, churches, palaces, towers, and squares where historic events occurred.

There is Westminster Abbey, the great church that was begun in the 11th century. England's kings have been crowned there, with one or two exceptions, for the past 800 years. Princess Elizabeth, daughter of the present king, was married to Prince Philip in the Abbey in 1947.

Nearby, along the Thames River, are the majestic buildings of Parliament. Some parts of the structure are at least 500 years old. In this Parliament, England's legislators gradually strengthened their power and gained from their kings the right of self-government. The members of Parliament established principles and methods of lawmaking that we follow, with little change, in our Congress today.

In Whitehall, now a rambling series of buildings used as government offices, you may visit the spot where King Charles I was beheaded more than 300 years ago. Charles had gone against the wishes of Parliament.

The Tower of London, parts of it nearly 900 years old, gives a good idea of what jail was like in ancient times.

Sir Walter Raleigh, the famous explorer, was imprisoned behind the tower's massive walls. King Henry VIII kept two of his wives in the tower before executing them.

Literary history, as well as political, may be made to come alive in a tour of London. You may visit the home where Samuel Johnson lived and wrote the dictionary that made him famous in the 1700's. Or you may lunch at the *Cheshire Cheese*, where Charles Dickens and William Thackeray used to eat. You may visit the house where Dickens lived and wrote *Oliver Twist* in the 1830's. You may tour the areas of London that Shakespeare knew.

Much of London, especially in the financial district known as *The City*, was destroyed or heavily damaged by bombing during World War II. There are vast open spaces where buildings once stood; some of these spaces have been made into parking lots for cars and others have been planted with flowers. Yet, with all the damage, great landmarks of history remain.

You will be disappointed, if you expect to find in London another New York, Chicago, Kansas City, or Los Angeles. London is a modern city. Its bus system is one of the best to be found anywhere. It has an excellent subway transportation network, known as the *Underground*. Its vast docks, along the Thames River which leads out to sea, are among the largest in the world. It is a big banking, industrial, and publishing center.

Yet, with all that is modern, London has kept its age. The city and its suburbs cover nearly 700 square miles. There are no towering skyscrapers; the low London buildings are much as they have been for centuries. An American-style hotel, built some years before World War II, seems out of place. Most of the hotels go back to the late 1800's, at least; they are a bit old-fashioned but, in general, quite comfortable.

London, as a rule, likes to cling to its old customs. Traffic follows the left side of the street, and not the right. Soldiers, on dress parade, wear scarlet uniforms that were in style a hundred years ago or more. Ordinary bank messengers cling to top hats and tail coats, which have been their customary attire for centuries. London prefers it that way.

Personalities

St. Laurent, Snyder

IN a recent conference attended by the heads of British Commonwealth nations, one of the outstanding men present was Canada's Prime Minister, Louis St. Laurent. St. Laurent and other Commonwealth leaders discussed some of the year's most pressing international questions.

The Canadian Prime Minister, who took office in November 1948, has worked hard in recent years to give his country a strong voice in world affairs. Even before he became head of his government, he helped Canada gain membership in a number of United Nations committees and organizations.

St. Laurent, who is from the French-speaking province of Quebec, is a lawyer who studied, taught and practiced law before entering public life. During his long legal career, he won many honors offered by his country in the field of law.

The 69-year-old St. Laurent took his first important public job as Minister of Justice in the early 1940's. Though he wished to return to private practice after World War II, the late Prime Minister Mackenzie King persuaded him to continue in office. St. Laurent directed Canada's foreign affairs at the close of the war, and became Prime Minister in 1948 when King resigned.

★ ★ ★

AS keeper of the nation's purse strings at a time of world crisis, Secretary of the Treasury John Snyder has a job that is as important as it is difficult. The United States will spend huge sums to rearm—an estimated 50 to 60 billions this year. Congress, of course, makes the decisions on how the money is to be raised, but Snyder has much responsibility in carrying out the broad financial program drawn up by the nation's lawmakers. Moreover, Congress pays close attention to his recommendations in matters of finance.

John Wesley Snyder was born in 1896 in Jonesboro, Arkansas. He entered Vanderbilt University in 1914 but withdrew the following year. In 1917 he joined the Army and, like the



HARRIS & EWING
Snyder



HARRIS & EWING
St. Laurent

man who is now his intimate friend, Harry Truman, he served in France as a captain of field artillery. The two men met by chance in 1918 when both were still in France in the Army.

In April 1945, Snyder came into national prominence when Mr. Truman, in his first major appointment, made him Federal Loan Administrator. Then, in July, Snyder was appointed director of the Office of War Mobilization and Reconversion. There his job was to guide the nation's economy back to a peace-time basis. President Truman named him Secretary of the Treasury in June 1946, to replace Fred Vinson.

A Career for Tomorrow - - Personnel Work

PERSONNEL workers—the members of a firm who interview job applicants—have become increasingly important to business and industry. Back at the time when most of our manufacturing and business was carried on by small establishments such officers were unnecessary. The owner of a business or the heads of individual departments found people for the jobs they had open. This, of course, is still the practice in small firms, but larger companies have found that they must have special personnel officers.

Personnel departments engage in a variety of activities. They may plan training for the new employees. They may adjust complaints against the management, plan health and recreational programs, or set up pension plans for retired workers.

In short, almost all aspects of the relations between an employer and his workers may, at one time or another, be handled by the personnel department. Large companies frequently have separate officers in charge of different phases of the work. Smaller concerns usually have only one employee to take care of all details.

Since this work is chiefly with people, only those individuals who are keenly interested in human behavior should go into it. The personnel officer must have sympathy and tact. He must understand all types of people and be able to talk with workers of widely different backgrounds.

Many of those now in personnel work have had little special training. Because the field is new, they have developed their own jobs and techniques. In the future, though, it is expected that greater emphasis will be put on specialized training. A young person who is considering this field should



PERSONNEL MANAGER interviewing an applicant for a job

plan to go to college. He should take such general courses as economics, psychology, sociology, together with personnel methods, labor relations, and similar subjects.

Practical experience is important, too. Even a trained personnel officer sometimes works in various departments of a company to learn the problems of each. Within his own department he usually starts by making simple interviews and goes on to more advanced work as he gains experience.

Salaries in this field compare favorably with those of other trained professional workers in business. Beginners should not expect to step into jobs that pay well, but after a few years' experience they may, if they are competent, be earning from \$3,000 to \$5,000 a year. The top jobs in this field pay as much as \$15,000 or \$20,000

a year. While most personnel workers are men, women are also in demand.

The federal and state governments employ personnel workers. Their jobs consist mainly of employing people according to the standards set by the Civil Service Commission or by the state merit systems. They also plan training programs for government employees and recommend workers for promotions. Government salaries of personnel officers range from \$2,600 to \$6,500 a year.

Ask your librarian for books on personnel work if you are interested in the field. A leaflet entitled "Occupational Outlook Summary, Employment Outlook for Personnel Workers" can be obtained free of charge from the Bureau of Labor Statistics, Washington 25, D. C.

—By CARRINGTON SHIELDS.

Study Guide

Money

1. Where is our nation's paper money produced?
2. About how much money in bills and coins do we now have in circulation?
3. Why is gold so widely used as the basis of national monetary systems?
4. Explain how the currency of our own country is tied to gold.
5. Briefly describe the organization of the Federal Reserve System.
6. By use of an example, show how the amount of money in circulation is increased and decreased through the operations of the U. S. banking system.
7. Why is the Federal Reserve Board now asking the nation's banks to cut down on their lending?

Canada

1. Compare Canada's area with that of the United States. About how many people does our northern neighbor have?
2. How does the rate at which Canada now produces industrial goods compare with her 1939 rate?
3. What is Canada's rank among the trading nations of the world?
4. List several of her main products. What change has been occurring during recent years in the type of goods that she produces?
5. What important mineral discoveries, occurring during the last several years, are furthering Canada's industrial growth?
6. Describe the major change that has recently taken place in the country's foreign trade situation.
7. Explain why Canada's position is, from a military point of view, strategic and dangerous.

Discussion

Why, in your opinion, have Canada and the United States managed to get along so well together, while other large nations that border one another so often fight and quarrel?

Miscellaneous

1. Are the Soviet people said to be disillusioned with their government? Give some of the reasons discussed by writer Harry Schwartz.
2. For whom is the new "supercarrier" to be named?
3. Briefly discuss the history of Mt. Etna.
4. Why are many Americans for, and against, removing our troops from Korea?
5. Who is Eddie Rickenbacker?
6. Explain how democratic nations are searching abroad for minerals.
7. Discuss briefly the history of money.
8. Describe some of the landmarks you would see on a trip to London.
9. Who is Louis St. Laurent? John W. Snyder?

References

"Key to Conflict," *Newsweek*, October 23, 1950. International aspects of money at present time.

Business Week, December 23, 1950, issue is devoted to Canada. It includes a 10-page economic picture of that country.

A package of material about Canada can be obtained by teachers free of charge from Information Office, Canadian Embassy, 1746 Massachusetts Ave., Washington, D. C.

Answers to Your Vocabulary

1. (b) a small and exclusive group;
2. (a) hinted;
3. (c) trite and commonplace remark;
4. (d) hastily, without much study;
5. (a) united;
6. (b) serves as an example for the future.

Historical Backgrounds - - Inventing Money

ANCIENT and modern civilizations have invented many forms of money. In the days of the cave man, there wasn't such a thing as money. The cave man didn't need it. He hunted food for himself and his family. He fashioned rough clothes from the hides of animals. If he had any gold, it probably was a rock with other minerals. The gold piece had no more value than any other rock to the cave man; very likely he threw it at a wild dog.

Then, as a crude civilization began to develop and people assembled in tribes, the desire arose for an exchange of goods. One hunter brought home more meat than he could eat. So he traded some of the meat for a friend's extra supply of clubs or arrow flints. He might give some of the meat to a member of the tribe in return for help in building a hut.

Thus began an exchange of goods and services. These transactions were known as barter and were a common method of trade for many hundreds of years.

Gradually, man began to use special objects as measures of value in trades: he invented money. In Asia and Europe, furs are believed to have been used as money more than 3,000 years ago. Instead of bartering food for arrow flints, a man sold his food for furs. Then, he used the furs to buy arrow flints, or to purchase other

goods and services which he needed or desired.

A rough standard grew up with one fur representing a specified value in relation to other products and services. Everyone accepted the standard, so early man did not mind piling up a stock of furs greater than he would ever need for his own clothing. He knew, since the furs were the standard of value, that he could use them to buy things he wanted whenever he chose. His stock of furs was money, the measure of his wealth, of what he could buy.

Many other types of money were used in olden times. Both the Greeks

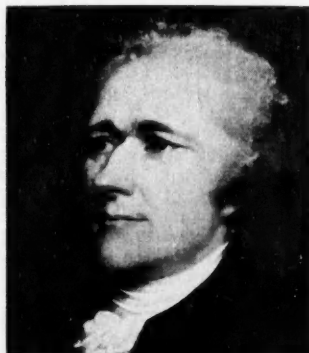
and the Romans made cattle a standard of measurement of other goods. Olive oil, grains, and then metals became monetary units in many parts of the world. The metals, in small pieces and large blocks, were liked because they were more durable than the perishable foods and furs.

It was but a short step, then, from plain metal to coins. The first coin that we know about was made about 700 B.C. in Asia Minor; it was of gold and silver. Coins also appeared at a very early date in China.

Coins, of course, last well but they are often awkward to carry in large sums, and governments began to issue paper money to represent the coins. Holland had some of the earliest paper money in the 16th century, and paper was used as money in North America by the French as early as 1685.

Both paper and coins, guaranteed by our government, are accepted freely as standards for measuring the value of goods today.

It is important to remember that money by itself is of no value. It only represents value—the worth of a car, a suit, or a pair of shoes. If we could not buy anything, money would be practically useless. You could, of course, use some gold for a bit of jewelry or for filling a tooth. You might melt pennies and make a copper pan. But without goods to be bought, we would have no use for money.



ALEXANDER HAMILTON, Secretary of the Treasury under George Washington